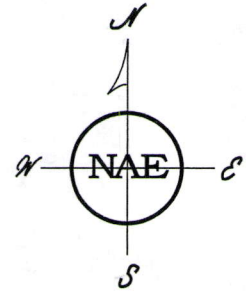


# **NORTH AMERICAN EXPLORATION, INC.**

MINERAL EXPLORATION SERVICES



March 22, 2010

Patricia M. Bailey  
Acting Field Manager  
U.S. Bureau of Land Management  
Fillmore Field Office  
35 East 500 North  
Fillmore, Utah 84631

Dear Ms. Bailey:

Reference is made to your letter dated February 18, 2010 and 3809 (UTU 02000, UTU 87618), which is attached as Exhibit A. Applied Minerals (Atlas Mining Company) submitted a Notice of Intent to Commence Large Mining Operations (Plan of Operations) to your office on August 6, 2009. This letter provides additional information and clarification to this Plan, as per your request.

This Plan (NOI) proposes both underground mining and processing waste mine dumps for high quality and high-value halloysite clay products. Mining in-place clay will take place only on patented mining claims owned by Applied Minerals. Processing clay in the mine dumps will take place primarily on land owned by Applied Minerals but some of the mine dumps have inadvertently been placed on Federal land which occurs as small "fractions" within the patented mining claims.

The patented claims were surveyed many years ago and a few "fractions" are slivers of Federal land were left between the boundaries of the claims (Figures 2 and 3 of the NOI). These "fractions" were unknown until recent detailed land surveys were done by Applied Minerals. To protect its land position, and recognizing the presence of base and precious metal deposits on the property, Applied Minerals staked unpatented lode mining claims to cover the areas of these "fractions" of Federal land. There are no known in-place deposits of halloysite clay in place on these claims. It is the intent of Applied Minerals to maintain these unpatented claims in good standing.

In order to proceed and process halloysite clay from the mine dumps which have been placed on Federal land additional information has been requested. This information is provided as follows:

**RECEIVED**

**MAR 30 2010**

**DIV. OF OIL, GAS & MINING**

1. Source of the Clay Tailings (mine waste dumps)

The clay is from the underground mine and the open pit located on land owned by Applied Minerals. These mines and the patented claims are shown on Figures 2 and 3 of the Plan (NOI).

2. Mine History

The great majority of the clay was mined between 1950 and 1972 primarily by Filtrol Corporation. The Anaconda Company and Filtrol Corporation leased the property from Dragon Consolidated Mining Company. Limited mining and testing of the clay has continued to the present time.

3. Ownership of the Clay Tailings (mine waste dumps)

The ownership of the mine waste dumps has been continuously maintained by Applied Minerals or its successors. Following is a summary of the owners of the Dragon Mine property:

- \* 10/1/39      Owner of record Dragon Consolidated Mining Company
- \* 3/19/84      Title Opinion  
Dragon Consolidated Mining Company to  
North Lily Mining Company
- \* 1/26/98      Quitclaim Deed  
Dragon Consolidated Mining Company to  
North Lily Mining Company  
8/4/99 Book 0405, Page 0357 (?)  
# 00217698
- \* 5/27/98      Special Warranty Deed  
North Lily Mining Company to  
Grand Central Silver Mines, Inc.  
5/28/98 Book 0393, Page 0136  
#00213392
- \* 6/9/99      Quitclaim Deed  
Grand Central Silver Mines, Inc. to  
Conjecture Silver Mines Inc.  
8/4/99 Book 0405, Page 0359  
#00217699
- \* 8/25/05      Warranty Deed  
Conjecture Silver Mines, Inc. to  
Atlas Mining Company  
11/2/05 Book 0483, Page 0915  
#00240793
- \* 2010      Atlas Mining Company name change to  
Applied Minerals Inc. As per SEC documents

A list of the patented mining claims included in the Dragon Mine Property is provided as an attachment to this letter as Exhibit B. The current ownership of this property is verified by Utah State tax records "2010 Preliminary Assessment Land Evaluation" as Exhibit C. To verify continuous ownership

of the property (and the mine dumps) we obtained a "2010 Land Abstract" from the Utah State Tax Commission for one of the patented claims, the Cross Dragon (Exhibit D).

As per your request we are also submitting an additional Figure 6A, to show the proposed processing activity on the "fractions" of Federal land for Phase One work. Applied Minerals proposes the processing and reclamation of the subject waste mine dumps (clay tailings) as part of the Plan of Operations (NOI) submitted to your office on August 6, 2009.

Sincerely,

A handwritten signature in black ink, appearing to read "O. Jay Gatten", with a stylized flourish at the end.

O. Jay Gatten  
Consultant to Applied Minerals

OJG/la

Attachments (5)

Cc: Correspondence (no/attach)  
Project (w/attach)  
A. Zeitoun – Applied Minerals (w/attach)  
Paul Baker – DOGM (w/attach)



## EXHIBIT A



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

### FILLMORE FIELD OFFICE

35 East 500 North  
Fillmore, Utah 84631



In Reply Refer to:  
3809 (UTW02000)  
UTU 87618

February 18, 2010

CERTIFIED MAIL #7008 2810 0000 9873 4157  
RETURN RECEIPT REQUESTED

Andre Zeitoun  
110 Greene St. Suite 1101  
New York City, NY 10012

Dear Mr. Zeitoun:

On August 17, 2009, the Fillmore Field Office (FFO), Bureau of Land Management (BLM) received additional information requested for a Plan of Operations (Plan) submitted August 6, 2009 under the Federal regulations at 43 CFR § 3809, Surface Management, subject to the mining laws as defined at 3809.5. The Plan is for the Dragon Mine at T. 10 S., R. 2 W., sec. 29, 30 and 31 in Juab County, Utah. The mineral that would be extracted is described as halloysite clay. The mining claims listed in the Plan are UMC 385543, UMC 385544, UMC 394659, UMC 394660, UMC 408539, and UMC 408540, which were located after July 23, 1955. The Plan is serialized as UTU-87618.

The Plan describes Atlas Mining Company's (Atlas) intent to remove clay tailings from patented mining claims as well as small slivers of federal land between and around the patented claims. The Plan does not indicate mining of in-place clay from federal land. BLM has been instructed that the clay tailings were mined from the patented mining claims and placed upon the federal lands prior to promulgation of the Surface Management Regulations at 43 CFR 3809, January 1, 1981 and that ownership of the tailings has been continuously maintained by the patent holder or their successor; abandoned tailings revert to federal ownership.

The placement of personal property on federal land is a trespass, even though unwitting and innocent. Resolution to the trespass is removal of the private property. Removal can be authorized in two ways: 1) Authorization of a Plan of Operations under the Surface Management Regulations, or 2) a Right of Way Grant under the Federal Land Policy Management Act (FLPMA).

The simpler and timelier manner is authorization of a Plan. This would require:

1. Tailings are personal property,
  - a. Continuous ownership of the tailings by the owner of the patented mining claims or successor
2. Location of mill site claims for storage or deposition of tailings,
  - a. Location of mill site claims require that the lands be non-mineral
    - i. Current lode or placer claims would have to be replaced with mill sites.
  - b. Non-mineral lands would indicate an absence of in-place clay that is locatable beneath the mill site claim.

3. The activities on the mill sites constitute prospecting, mining or processing or uses reasonably incident thereto.

A Right-of-Way under FLPMA would be the course of action if Atlas prefers not to file for the required mill sites.

Clay tailings or in-place deposits belonging to the federal government would require sale through the Mineral Material Disposal regulations at 43 CFR 3600 or if the clay is deemed to have a characteristic or characteristics that give it distinct and special value through a mineral examination, it may be locatable.

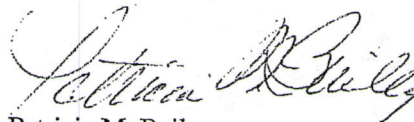
At this time, BLM is requesting information on Atlas' preference in the manner that their operation will be authorized, as well as all records, information or supported statements available that:

1. The clay tailings now on federal land were mined on patented claims,
2. When the mining occurred, and
3. Who has owned the clay tailings since they were placed on federal land.

Additionally, please prepare and submit an additional figure to amend your plan that indicates the mining and processing specific activity on the un-patented federal land slivers for each phase of operations.

If you have any questions, please contact Jerry Mansfield, FFO Geologist, at (435) 743-3125 or Michael Jackson, Utah State Office Geologist, at (435) 896-1522.

Sincerely,



Patricia M. Bailey  
Acting Field Manager

cc: Atlas Mining Company  
PO Box 968  
Osburn, ID 83849

Atlas Mines  
1200 Silver City Road Box 432  
Eureka, UT 84628

Pacific Registered Agents  
2825 E Cottonwood Pkwy, Suite 500  
Salt Lake City, UT 84121

Jay Gatten  
North American Exploration  
447 North 300 West, Suite 3  
Kaysville, UT 84037-4203



## EXHIBIT B

The following described patented mining claims are known as the Dragon Mine Property and are located in the Tintic Mining District in Sections 29, 30 and 31, Township 10 South, Range 2 West, Salt Lake Meridian, to-wit:

Black Dragon, Lot No. 49  
Black Dragon Lode First Extension, South 3 and 4, Lot No. 79  
Brooklin, Lot No. 86  
Brooklyn No. 2, Survey No. 3783  
Contest, Lot No. 83  
Cross Dragon, Lot No. 80  
Cygnets, Survey No. 334  
Daisy, Survey No. 4519  
Dew Drop, Survey No. 4519  
Eastern, Survey No. 4519  
Elise, Lot No. 84  
Elise No. 2, Lot 222  
Frankie No. 1, Survey No. 4109  
Frankie No. 2, Survey No. 4110  
Frankie No. 3, Survey No. 4111  
Governor aka Govenor, Lot No. 85  
Great Whel Vor, Lot No. 298  
Guardian, Survey No. 3852  
Iron Clad, Lot No. 82  
June, Survey No. 4519  
June Rose, Lot No. 136  
King James, Lot No. 87  
March, Survey No. 4519  
Martha Washington No. 2, Lot No. 137  
Mary, Survey No. 3873  
Nom De Plume, Survey No. 117  
Rattler, Lot No. 151  
Reverse, Lot No. 81  
Reverse No. 2, Lot No. 333  
Roadside, Lot No. 150  
Silver Coin, Survey No. 144  
Snap Dragon, Survey No. 3195  
Sunnyside, Survey No. 3782  
Tina, Survey No. 3254  
Turk, Survey No 4519  
White Dragon, Survey No. 4163  
Willie Gundry, Survey No. 3240



Utah State Tax Commission  
Property Tax Division  
**2010 PRELIMINARY ASSESSMENT**  
**LAND VALUATION**  
**NON-METALLIFEROUS MINING**

EXHIBIT C

**ATLAS MINING COMPANY**

**Taxpayer Number: 4309**

**County: JUAB**

**County Number: 12**

**Tax Area: 009 - 0000**

Prop. No.	Property Name Parcel Number	Survey Number	TWN	RNG	SEC	Parcel Acres	Mine Acres	Owner -ship	Rest. Disc.	Val. Acres	Land Valuation
51905	BLACK DRAGON									Operator Acres:	3.640
		49	10S	2W	30	3.640	3.640	100.00%	0.00%	\$75	\$273
33525	BLACK DRAGON LODE FIRST EXT SO 3&4									Operator Acres:	1.495
		XX	10S	2W	31	1.495	1.495	100.00%	0.00%	\$75	\$112
51904	BROOKLYN									Operator Acres:	5.023
		86	10S	2W	31	5.023	5.023	100.00%	0.00%	\$75	\$376
51906	BROOKLYN #2									Operator Acres:	2.428
		3783	10S	2W	31	2.428	2.428	100.00%	0.00%	\$75	\$182
51923	CONTEST									Operator Acres:	1.284
		83	10S	2W	31	1.284	1.284	100.00%	0.00%	\$75	\$96
24755	CROSS DRAGON									Operator Acres:	1.515
		80	10S	2W	31	1.515	1.515	100.00%	0.00%	\$75	\$113
24756	CYGNET									Operator Acres:	19.400
		334	10S	2W	30	19.400	19.400	100.00%	0.00%	\$75	\$1,455
51907	DAISY									Operator Acres:	4.626
		4519	10S	2W	30	4.626	4.626	100.00%	0.00%	\$75	\$346
51924	DEW DROP									Operator Acres:	13.734
		4519	10S	2W	31	13.734	13.734	100.00%	0.00%	\$75	\$1,030
51908	EASTERN									Operator Acres:	6.846
		4519	10S	2W	30	6.846	6.846	100.00%	0.00%	\$75	\$513
24761	ELSIE									Operator Acres:	3.000
		84	10S	2W	31	3.000	3.000	100.00%	0.00%	\$75	\$225
51909	ELSIE #2									Operator Acres:	5.140
		222	10S	2W	31	5.140	5.140	100.00%	0.00%	\$75	\$385
34303	FRANKIE #1									Operator Acres:	13.260
		4109	10S	2W	31	13.260	13.260	100.00%	0.00%	\$75	\$994
51910	FRANKIE #2									Operator Acres:	16.520
		4110	10S	2W	31	16.520	16.520	100.00%	0.00%	\$75	\$1,239
51921	FRANKIE #3									Operator Acres:	11.843
		4111	10S	2W	31	11.843	11.843	100.00%	0.00%	\$75	\$888
51911	GOVERNOR									Operator Acres:	6.880
		85	10S	2W	30	6.880	6.880	100.00%	0.00%	\$75	\$516
51925	GREAT WHEL VOR									Operator Acres:	15.140
		298	10S	2W	31	19.834	19.834	100.00%	0.00%	\$75	\$1,487
51912	GUARDIAN									Operator Acres:	15.140
		3852	10S	2W	31	15.140	15.140	100.00%	0.00%	\$75	\$1,135
51926	IRON CLAD									Operator Acres:	4.669
		82	10S	2W	30	4.669	4.669	100.00%	0.00%	\$75	\$350
51913	JUNE									Operator Acres:	4.647
		4519	10S	2W	30	4.647	4.647	100.00%	0.00%	\$75	\$348





Utah State Tax Commission  
Property Tax Division  
**2010 PRELIMINARY ASSESSMENT**  
**LAND VALUATION**  
**NON-METALLIFEROUS MINING**

**ATLAS MINING COMPANY**

**Taxpayer Number: 4309**

**County: JUAB**

**County Number: 12**

**Tax Area: 009 - 0000**

Prop. No.	Property Name Parcel Number	Survey Number	TWN	RNG	SEC	Parcel Acres	Mine Acres	Owner -ship	Rest. Disc.	Val. Acres	Land Valuation
51927	JUNE ROSE									Operator Acres:	2.230
		136	10S	2W	31	2.230	2.230	100.00%	0.00%	\$75	\$167
24757	KING JAMES									Operator Acres:	5.157
		87	10S	2W	31	5.157	5.157	100.00%	0.00%	\$75	\$386
51928	MARCH									Operator Acres:	16.542
		4519	10S	2W	30	16.542	16.542	100.00%	0.00%	\$75	\$1,240
51915	MARTHA WASHINGTON #2									Operator Acres:	5.420
		137	10S	2W	31	5.420	5.420	100.00%	0.00%	\$75	\$406
51916	MARY										
		3873	10S	2W	31	8.570	8.570	100.00%	0.00%	\$75	\$642
51929	NOM DE PLUME									Operator Acres:	5.327
		117	10S	2W	31	5.327	5.327	100.00%	0.00%	\$75	\$399
51917	RATTLER									Operator Acres:	9.950
		151	10S	2W	31	9.950	9.950	100.00%	0.00%	\$75	\$746
51930	REVERSE									Operator Acres:	2.468
		81	10S	2W	31	2.468	2.468	100.00%	0.00%	\$75	\$185
51918	REVERSE #2									Operator Acres:	1.792
		333	10S	2W	31	1.792	1.792	100.00%	0.00%	\$75	\$134
51931	ROADSIDE									Operator Acres:	6.800
		150	10S	2W	31	6.800	6.800	100.00%	0.00%	\$75	\$510
51919	SILVER COIN									Operator Acres:	6.340
		144	10S	2W	31	6.340	6.340	100.00%	0.00%	\$75	\$475
51932	SNAP DRAGON									Operator Acres:	3.770
		3195	10S	2W	31	3.770	3.770	100.00%	0.00%	\$75	\$282
24760	SUNNYSIDE									Operator Acres:	6.460
		3782	10S	2W	31	6.460	6.460	100.00%	0.00%	\$75	\$484
51934	TINA									Operator Acres:	0.583
		3254	10S	2W	31	0.583	0.583	100.00%	0.00%	\$75	\$43
24759	TURK									Operator Acres:	6.674
		4519	10S	2W	30	6.674	6.674	100.00%	0.00%	\$75	\$500
51933	WHITE DRAGON									Operator Acres:	0.534
		4163	10S	2W	30	0.534	0.534	100.00%	0.00%	\$75	\$40
51922	WILLIE GUNDRY									Operator Acres:	8.051
		3240	10S	2W	31	8.051	8.051	100.00%	0.00%	\$75	\$603
<b>Tax Area 009 - 0000 Totals</b>						257.592	257.592				<b>\$19,305</b>
<b>JUAB COUNTY TOTALS</b>						257.592	257.592				<b>\$19,305</b>
<b>TAXPAYER TOTALS</b>						257.592	257.592				<b>\$19,305</b>





Utah State Tax Commission  
Property Tax Division

EXHIBIT D

**2010 Land Abstract**

Claim / Property Name: CROSS DRAGON

Survey: 80

Patent Rcvd ☐

Property Number: 24755

Parcel/Serial Number:

County Name	JUAB	Township	10S	Parcel Acres	1.515
County Number	12	Range	2W	Mine Acres	1.515
Tax Area	009 - 0000	Section	31	County Acres	0.000
Ownership Status	PATENTED CLAIM	Qtr / Qtr	NWNE	Value per Acre	75
Property Status	TAXABLE	Meridian		Rest. Discount	0.0000%
Mining District	TINTIC	UTME	405436	Property Value	113
Sheet Number		UTMN	4419174	Total Interest	100.00%

**Legal Description:**

**Comments (printable):**

Seq	Purchase	Sold	Interest	TP #	Taxpayer	Ind	Ref
Oper. Acres	Book	Page			Cnty Entry Number	Deed Notes	
1	10/01/1939	10/01/1999	100.00%	551	DRAGON CONSOLIDATED MINING CO	NM	2
2	10/01/1999	10/01/1998	100.00%	1351	NORTH LILY MINERALS COMPANY	MM	3
	405	257					
3	10/01/1998	10/01/1999	100.00%	3466	GRAND CENTRAL SILVER MINES INC	MM	4
	393	136					
4	10/01/1999	11/16/2005	100.00%	3853	CONJECTURE SILVER MINES INC	MM	5
	405	259					
6	12/28/2005		100.00%	4309	ATLAS MINING COMPANY	NM	
1.515							



Applied Minerals Inc.

Dragon Mine  
Tintic Mining District, Utah

Figure 6A  
Large Mine Permit  
266.7 Acres  
Phase One Activities  
40.3 Acres

S1/4 Section 30, T10S, R2W SLB&M  
N1/4 Section 31, T10S, R2W SLB&M

PHASE ONE

Unpatented Claims

Administration/Production Areas 11.0 ac.

Erosion Control Area 1.8 ac.

Soil Stockpile ~ 1.0 acre (if needed)

Upper Haul Road 2.2 ac.

Mining Area 13.3 ac.

New Road Prism 1.8 ac.

New Dump Area 7.2 ac.

Road Material Site 1.8 ac.

Temp. Haul Road 0.2 ac.

The figure is an aerial photograph overlaid with a map showing mining activities. A yellow boundary line outlines the permit area, which is divided into Section 30 and Section 31. Various areas are shaded and patterned according to the legend: Administration/Production Areas (yellow), Erosion Control Area (blue cross-hatch), Soil Stockpile (blue grid), Upper Haul Road (black line), Mining Area (red cross-hatch), New Road Prism (green grid), New Dump Area (red grid), and Road Material Site (green grid). Key features labeled include 'Decline Portal', 'Manhattan Portal', 'Sediment Ponds', 'Gate', 'Posting Active Mine Working Signs', and 'Temporary Road'. A coordinate grid is shown with UTM coordinates (7,137,000N to 7,140,000N and 1,467,000E to 1,471,000E). A scale bar indicates 0 to 600 feet. The map is titled 'Figure 6A' and 'Large Mine Permit'.

Boundary  
Permit

Sediment Ponds

Manhattan Portal

Decline Portal

Temporary Road

Gate

Gate

Posting Active Mine Working Signs

SCALE  
0 200 400 600  
U.S. Survey Foot

NAD83 Utah Central Zone  
State Plane Grid Lines &  
Coordinates in US Survey Feet